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CONFIDENTIAL INFORMATION REPORT

COUNTRY China

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DATE DISTR. 26 August 1948

SUBJECT Economic and Political Information: Smuggling by
Northeast Officials

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1. On 3 June 1948 Chinese authorities at Pailing (123-25,41-50) airfield discovered contraband goods while examining a cargo of banknotes destined for Changchun. These goods included cigarette paper valued at NEC \$4,800,000 (the rate of exchange at that time was NEC \$160,000 to US \$1). The man in charge of the transportation of the money was the director of the Mukden office of the Kirin Provincial Government, LI Li-ch'un (李禮春), who was arrested immediately. He has since been released.
 2. CHIANG Shou-ch'uan (姜守權), director of the Finance Department of the Kirin Provincial Government, had contacted LI on behalf of the Kirin Provincial Government and had arranged for the transport of the money in the name of the Financial Department of the Kirin Provincial Government. CHIANG has not been arrested because he is a follower of General LIANG Hua-sheng (梁華盛), formerly governor of Kirin and commander of the Mukden Area Defense Headquarters (See [redacted]).
 3. Others involved in the case were General CHENG Tung-kuo (鄭洞國), chairman of the Kirin Provincial Government Council, and Miss CHU Lun (朱綸), delegate to the National Assembly and a leader among Northeast women (?CHU Yen 朱琰) (See [redacted] page 44). These two persons and General LIANG owned the smuggled goods, which are being held by the Air Force authorities while the case is investigated.
 4. The Air Force submitted to President CHIANG Kai-shek a report on the case and a request for instructions as to procedure in handling the case. According to a commissioner of the Liaoning Provincial Government, CHIANG was very angry and instructed the Mukden Air Force authorities to continue the investigation. He also ordered that all persons responsible in the case were to be severely punished.
 5. In order to make clear that it took no responsibility in the case, the Mukden office of the Kirin Provincial Government issued a statement to the Mukden press to the effect that the cigarette paper is owned by a Changchun cigarette factory, which is sponsored by the Kirin Provincial Government. The office also stated that the case does not involve "certain prominent figures".
 6. On 3 July 1948 General CHENG, LI Li-ch'un and the authorities reached a compromise, and the entire case will be settled peaceably in Mukden. No one has been punished up to the present time.
- [redacted] Comment. One of the most valuable articles per unit weight in Chinese Communist areas is cigarette paper. Travelers from these areas state that books printed on thin paper, such as Bibles and pocket-size dictionaries, have become extremely valuable.)

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